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COTTON MARKETING QUOTAS IN 1943

Cotton farmers throughout the country will vote Saturday, December 12, 1942, on whether they want marketing quotas for the 1943 cotton crop.

Cotton producers have used marketing quotas, authorized under the Agricultural Adjustment Act, for the last five seasons in conjunction with the Agricultural Conservation Program. This year, with war raging throughout the world, cotton farmers will vote under critical conditions. Some questions which farmers should consider before voting are discussed below.

1. Q. When are quotas desirable?

A. Under normal conditions quotas are desirable when the supply of cotton is excessive in relation to requirements. The Act makes it necessary to proclaim quotas when the supply of American cotton is more than 7 percent above normal. The normal supply is 18.2 million bales. As defined by law this is made up of normal domestic consumption, normal exports, plus 40 percent as an allowance for carry-over. While domestic consumption has increased during the past year or two, the increase is less than the drop in exports from normal. Actually the supply of American cotton in the United States for 1943 is about 23.5 million bales. This is the second largest supply on record and is sufficient to meet our needs for almost two years.

2. Q. How does the war increase the need for quotas?

A. The war makes it urgently necessary that all farmers use their resources to the best advantage of the Nation in winning the war and in winning it as quickly as possible. Although total farm production in 1941 and 1942 was successively the largest on record, it will be difficult for farmers to maintain these records in 1943. Thus land, labor, fertilizer, and machinery must be used more in proportion to the urgency of the need for farm products. Since the supply of cotton is more favorable in relation to requirements than many other commodities, cotton farmers should consider whether the need for marketing quotas now is greater or less than under normal conditions.

3. Q. How can quotas contribute to maximum, balanced farm production in 1943?

A. With the labor, fertilizer, and machinery problems farmers are facing, it is necessary that each acre of land, every hour of labor, and each piece of equipment be used to contribute its maximum. This can be expected largely through yields per acre. Since cotton marketing quotas have been in operation, 7.5 acres yield as much cotton as was formerly secured from 10 acres. This leaves the additional acres, labor, and materials otherwise used on such acreage available for more critically needed crops.

4. Q. How are quotas related to cotton prices?

A. On October 2 the basic loan level was increased from 85 percent to 90 percent of parity and availability of loans was extended for a period of two years after the war. If quotas are disapproved by vote of cotton producers, under the Act loans on cotton cannot be made on the crop to which the referendum applies. Loans are available only when quotas are not disapproved. Loans act as a floor for cotton prices. Without loans and with ceilings in effect on cotton goods, raw cotton prices could be expected to move generally in only one direction - downward.

5. Q. How does the total disappearance of cotton compare with previous years?

A. During the 1941-42 marketing year we used 11.0 million bales of American cotton - a new high record. The year before we used 9.6 million bales, while in 1939-40 we used 7.7 million bales. U. S. consumption in the 1942-43 year will likely be around 11.4 million bales. Published data on exports are not available, but they are negligible, and will likely not be of significance again until after the war.

While domestic consumption is up, and even more cotton goods might be used by civilians, consumption of lint cotton is limited by the physical ability of the mills to handle the tremendous military needs as well as increased civilian demands.

6. Q. What would the farm price of cotton be if quotas had not been in effect during the past few years?

A. The factors to consider in answering this question are similar now but not exactly the same as they were during the last war. There are perhaps more factors to be considered now. Each farmer or group, no doubt, would arrive at a different answer. However, supply and distribution of cotton would have to be considered and the following data will be helpful to each person in answering this question for himself.

Cotton: All kinds in the U. S. (millions of bales)

Crop Year	Disappearance	Supply	Supply as percent of disappearance
1916-17	12.1	14.8	122.3
1917-18	10.9	14.4	132.1
1918-19	11.4	15.9	139.5
	:	:	:
1940-41	10.9	23.1	211.9
1941-42	12.3	22.9	186.2
1942-43 Est.	12.4	24.2	195.2
1943-44 Est.	?	?	?

6(a) Q. How do cotton price levels and loan rates in Brazil and Peru compare with prices and loans in the United States?

A. Cotton loans do not operate exactly the same in Brazil and Peru as in the United States. There they are offered on both seed cotton and lint cotton and in past years growers in these countries have not put much cotton into the loan. Generally they sell their cotton in the seed to ginners or buyers and loans, if any, are obtained by the latter. Thus, prices and loan rates quoted at Lima and Sao Paulo are considerably higher than are received by growers.

While prices for the types of cotton shown below are normally about the same or higher than prices for similar cottons in the United States, prices received by growers in Brazil and Peru for the past few years were at a much lower level than cotton prices in this country. Last year, and again this year, the Brazilian and Peruvian prices were greatly below United States prices. Cotton mill capacity in these countries is far less in relation to lint production than in the United States. Thus, even though loans there are on a low level, under present conditions they are likely to be the principal price determining factor. Brazil is one of the United Nations in the war and Peru is cooperating closely in the economic affairs of this hemisphere. It is expected, therefore, that much of the cotton in these countries will go either into government or private loans, or in the case of Peru be held under the cotton agreement with the United States.

Also of interest to cotton producers in this country is the law enacted by Peru on July 24, 1942, requiring a 30 percent reduction in cotton acreage in 1943 from 1942. This would be about 40 percent less acreage than the last five-year average. The penalty for non-compliance is 1,000 soles per hectare; this is about \$62 per excess acre or about 15 cents per pound based on average yields.

The following information may be helpful in further considering this question. It should be remembered that Type 5 cotton in Brazil is nearly comparable with middling 15/16-inch cotton in the United States, while Tanguis cotton in Peru is somewhat comparable with middling 1-3/16-inch cotton in this country. While prices are not listed below for U. S. middling 1-3/16-inch cotton, during the period 1929-41 prices of this cotton averaged about 3 cents above middling 15/16-inch cotton.

United States: Brazil : Peru			United States: Brazil : Peru		
Year: Middling	Type 5	Tanguis	Year: Middling	Type 5	Tanguis
: 15/16" at	: at	: at	: 15/16" at	: at	: at
: New Orleans	: Sao Paulo	: Lima	: New Orleans	: Sao Paulo	: Lima
Cents per lb	¢ per lb	¢ per lb	Cents per lb	¢ per lb	¢ per lb
1929	16.59	1/15.52	16.42	1936	13.45
1930	10.50	10.03	10.29	1937	9.24
1931	6.40	8.99	7.06	1938	9.04
1932	7.41	1/14.31	8.38	1939	10.23
1933	11.12	11.48	12.09	1940	11.06
1934	12.79	13.84	12.79	1941	18.17
1935	12.05	12.17	12.34	1942	2/18.70
					3/10.21 4/11.44

7. Q. What do cotton marketing quotas mean to individual farmers?

A. Marketing quotas are the means by which there is allocated to each farmer his fair share of that amount of cotton which can be marketed at reasonable prices. Cooperators - and the vast majority of cotton farmers do participate - regard marketing quotas as a necessary safeguard to their welfare. It is the producer who exceeds his acreage allotment who is subject to penalties, if marketing quotas are approved.

8. Q. What is a farm marketing quota?

A. The 1943 marketing quota for a farm will be the cotton acreage allotment multiplied by the actual or normal yield, whichever is the larger, plus any carry-over cotton which could have been marketed without penalty in 1942.

1/ Average for 10 months.

2/ Average August 1 to November 12.

3/ Preliminary average August and September.

4/ August 1942.

9. Q. If marketing quotas are in effect, how much cotton may a farmer sell from his 1943 crop without penalty?

A. He may sell an amount of cotton equal to the farm marketing quota. As in previous years, a farmer who plants within his 1943 acreage allotment may sell without penalty all the cotton he produces in 1943.

10. Q. What are the marketing quota penalties?

A. If a farmer overplants his acreage allotment, he will be subject to the marketing penalty on each pound of cotton marketed in excess of his quota. The marketing penalty will be 50 percent of the basic rate of the loan. For the 1942-43 marketing year this penalty was 8 cents per pound.

11. Q. Will quotas apply to all cotton?

A. Quotas will apply to all cotton except (1) cotton with a staple length of 1-1/2 inches or more and (2) cotton grown by publicly-owned experiment stations for experimental purposes only.

12. Q. Must the penalty be paid on all cotton marketed in excess of the farm marketing quota?

A. Yes; with one exception - the penalty does not apply to cotton produced in 1943 on any farm with a cotton allotment and on which the production in 1943 is 1,000 pounds of lint cotton or less. However, if the marketing quota is 900 pounds, and the farm produces 1,100 pounds, 200 pounds are subject to the penalty.

13. Q. What can a producer do who is dissatisfied with his farm marketing quota?

A. The producer may appeal to a review committee, which is made up of farmers who are not members of the committee which established the farm acreage allotment. It is the duty of the marketing quota review committee to determine whether the quota was established according to law.

14. Q. If marketing quotas are in effect for 1943, will they be applicable to States, counties, and communities where the favorable vote was less than the required majority?

A. Yes. The cotton problem is a national problem. Consequently, quotas, if voted into effect, will apply wherever cotton is produced.

15. Q. Who is eligible to vote in the referendum?

A. All 1942 cotton producers are eligible to vote.

16. Q. How will the outcome of the referendum December 12 affect market-in g quotas for 1943?

A. The Secretary of Agriculture has proclaimed marketing quotas for 1943, but the quotas will not be in effect unless two-thirds of the cotton farmers voting by secret ballot on December 12 give their approval.

17. Q. How have cotton farmers voted in past cotton marketing quota referenda?

A. For the past five years marketing quotas have been approved by majorities ranging from 84 to 94 percent of the farmers voting.

Duplicated by Southern Division
November 16, 1942